

U.S. Outlook

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Date	Indicator	For	Estimate	Consensus*	Previous Period
12-Apr-2016	NFIB Small Business Optimism	Mar	94.0	93.9	92.9
12-Apr-2016	Import Price Index MoM	Mar	0.7%	1.1%	-0.3%
13-Apr-2016	Retail Sales Advance MoM	Mar	0.3%	0.2%	-0.1%
13-Apr-2016	Retail Sales Ex Auto MoM	Mar	0.4%	0.5%	-0.1%
13-Apr-2016	PPI Final Demand MoM	Mar	0.3%	0.2%	-0.2%
13-Apr-2016	PPI Ex Food and Energy MoM	Mar	0.1%	0.1%	0.0%
13-Apr-2016	Business Inventories	Feb	0.1%	0.0%	0.1%
13-Apr-2016	U.S. Federal Reserve Releases Beige Book				
14-Apr-2016	Initial Jobless Claims	09-Apr	269K	NA	267K
14-Apr-2016	CPI MoM	Mar	0.3%	0.2%	-0.2%
14-Apr-2016	CPI Ex Food and Energy MoM	Mar	0.2%	0.2%	0.3%
15-Apr-2016	Empire Manufacturing	Apr	2.0	1.0	0.62
15-Apr-2016	Industrial Production MoM	Mar	0.1%	-0.1%	-0.5%
15-Apr-2016	Capacity Utilization	Mar	75.4%	75.3%	75.4%
15-Apr-2016	U. of Mich. Sentiment	Apr P	92.2	92.0	91.0
15-Apr-2016	Net Long-term TIC Flows	Feb	NA	NA	-\$12.0b

*Consensus from Bloomberg

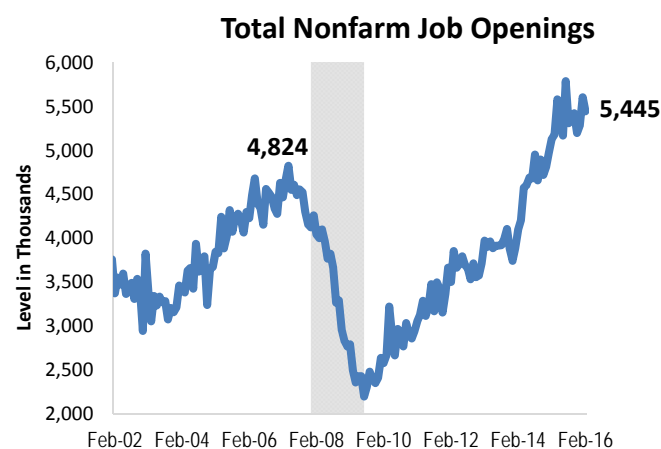
The Labor Market through a Different Prism

Through the lens of the March jobs report, the U.S. labor market recovery continues unabated. Nonfarm payroll job gains came in about as we expected at +215K jobs and better than the consensus estimated. But by focusing on the headline numbers, are we only seeing the labor market through rose colored glasses?

What are other labor market indicators telling us about the current health and future state of the US jobs market? Here the view is less rosy with several indicators already pointing to a more subdued future for U.S. job growth.

The job openings and labor turnover (JOLTS) data from the Bureau of Labor Statistics for February revealed a few chinks in the labor market's armor with forward-looking job openings falling to 5.44 million from an upwardly revised 5.6 million in January. This is partly due to the fact that a lot of job vacancies were filled in February.

Labor Demand Eased in February



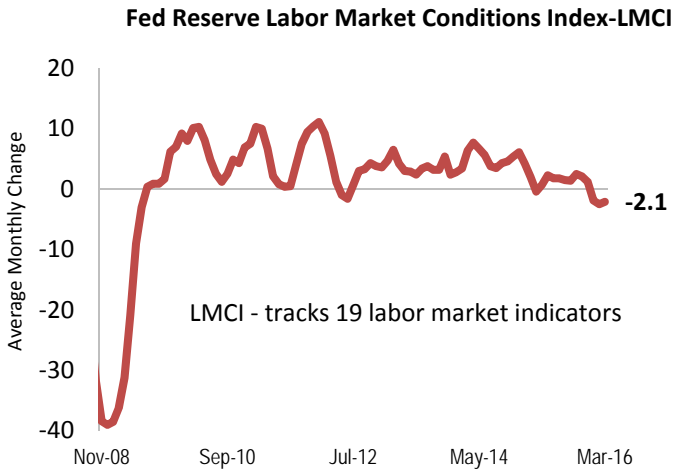
Source: U.S. Bureau of Labor Statistics

Moreover, the Fed's recently designed comprehensive labor market conditions index (LMCI), a weighted average of 19 key labor market indicators from the unemployment rate and labor force participation rate to average weekly hours, was negative for the third consecutive month in

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March. The LMCI remains near its lowest levels in this expansion so far- a less than stellar view of labor market momentum and resilience.

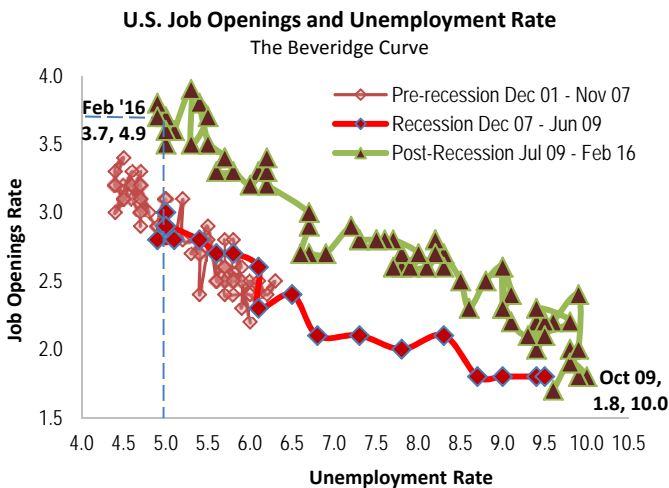
Labor Market Conditions Remain Subdued



Source: Federal Reserve

At the same time, the US labor market is struggling to match jobseekers with appropriate jobs- a skills mismatch. The rightward shift in the Beveridge curve, a graphical representation of the relationship between job vacancies and unemployment, in the current expansion suggests that the labor market may be structurally less efficient now than prior to the Great Recession, which leads to a slower matching/hiring process.

Labor Market Inefficiency Clearly Evident

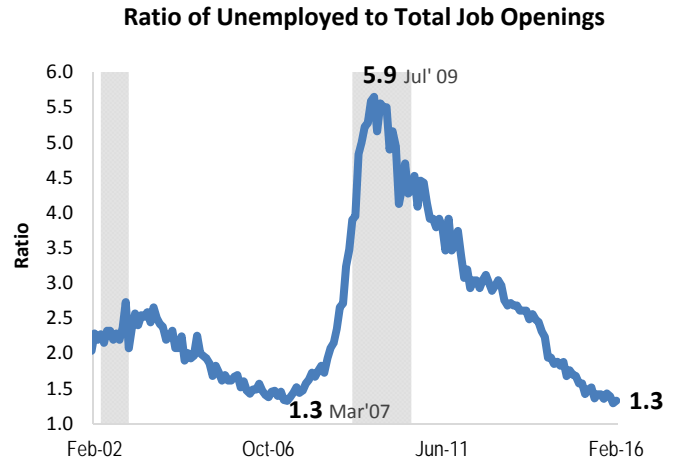


Source: BLS, BOTW Economics

On a more positive note, the unemployed-to-job openings ratio has once again returned to its pre-recession low — a

testament to the extent of labor market healing achieved to date.

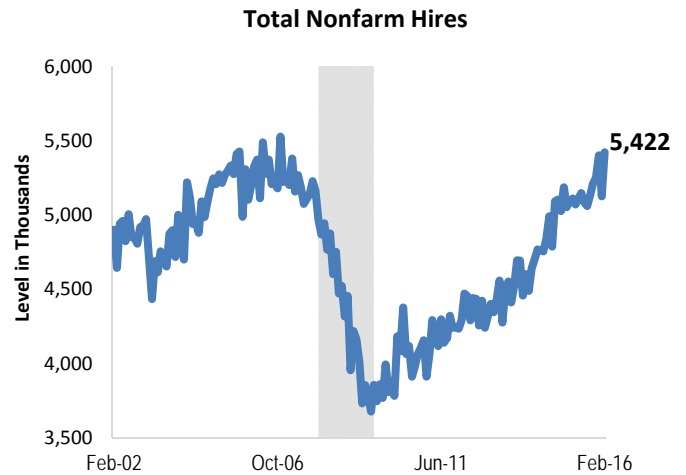
Unemployed-to-Job Openings Ratio At 9-Year Low



Source: U.S. Bureau of Labor Statistics

And employers are hiring at a rapid pace again. Hirings climbed to 5.42 million in February from 5.12 million the month before, the highest level since November 2006. Robust growth in hiring suggests that jobs were filled faster due to better opportunities with better pay. But it will be difficult for hiring to maintain its recent pace in the months ahead in the face of somewhat lower job openings.

Employers Hire With Ample Confidence



Source: U.S. Bureau of Labor Statistics

As the Fed often says, the labor market recovery has made considerable progress. But in many ways the labor market recovery remains subdued with some visible chinks in the armor (job openings and LMCI) beginning to show. Expect somewhat softer year-on-year job growth in the quarters ahead.

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Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2014	2015	2016	2017
Real GDP*	0.6	3.9	2.0	1.4	1.2	2.1	2.4	2.2	2.2	2.3	2.2	1.9	2.4	2.4	1.9	2.2
Personal Consumption Expenditures*	1.7	3.6	3.0	2.4	2.0	3.0	2.9	2.8	2.5	2.5	2.4	2.3	2.7	3.1	2.7	2.6
Non-residential Fixed Investment*	1.6	4.1	2.6	-2.1	-2.3	2.3	2.7	3.0	3.2	3.4	3.4	3.4	6.2	2.8	0.6	3.2
Private Housing Starts (000s units)	978	1,158	1,158	1,135	1,163	1,225	1,230	1,250	1,270	1,280	1,310	1,330	1,001	1,107	1,217	1,298
Vehicle Sales (mill. Units, annualized)	16.7	17.1	17.8	17.8	17.1	17.7	17.6	17.6	17.5	17.5	17.4	17.4	16.4	17.3	17.6	17.5
Industrial Production*	-1.9	-2.7	1.5	-3.2	0.4	1.4	1.9	1.8	1.7	1.8	1.7	1.7	3.7	1.3	0.3	1.8
Nonfarm Payroll Employment (mil.)	140.8	141.5	142.2	142.9	143.5	144.2	144.7	145.3	145.9	146.5	147.1	147.7	138.9	141.8	144.4	146.8
Unemployment rate	5.6	5.4	5.2	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.6	4.5	6.2	5.3	4.8	4.6
Consumer Price Index* (percent)	-2.9	2.4	1.4	0.8	0.9	2.0	2.0	2.1	2.2	2.2	2.3	2.3	1.6	0.1	1.5	2.2
"Core" CPI* (percent)	1.7	2.3	1.8	2.2	1.8	1.8	1.9	2.0	2.0	2.0	2.1	2.1	1.7	1.8	1.9	2.0
PPI (finished goods)* (percent)	-11.2	3.6	0.4	-5.8	-1.0	1.6	2.1	2.5	2.4	2.2	2.0	2.0	1.9	-3.3	-0.4	2.2
Trade Weighted Dollar (Fed BOG, major)	89.3	90.1	91.7	93.1	93.3	91.5	93.4	94.6	94.9	94.3	93.8	93.4	78.4	91.0	93.2	94.1
Crude Oil Prices -WTI (\$ per barrel)	48	58	46	42	33	38	38	39	40	42	44	45	93	49	38	43

*Quarterly Data Percent Change At Annual Rate; Annual Data Year-on-Year % Chg, or Annual Average.

Financial Data	History				Forecast								Annual Average			
	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2014	2015	2016	2017
S & P 500	2,064	2,102	2,027	2,052	1,951								1,930	2,061		
Dow Jones Industrial Average	17,808	18,004	17,077	17,475	16,663								16,770	17,591		
Federal Funds Rate (effective)	0.11	0.13	0.13	0.16	0.36	0.46	0.63	0.71	0.96	1.13	1.38	1.71	0.09	0.13	0.54	1.30
Treasury-3 Month Bills (yield)	0.02	0.02	0.04	0.13	0.29	0.37	0.58	0.66	0.92	1.09	1.34	1.67	0.03	0.05	0.47	1.26
Treasury-2 Year Notes (yield)	0.60	0.61	0.69	0.84	0.84	0.96	1.12	1.35	1.58	1.75	2.00	2.33	0.46	0.69	1.07	1.92
Treasury-5 Year Notes (yield)	1.46	1.53	1.56	1.58	1.37	1.62	1.77	1.94	2.16	2.33	2.58	2.91	1.64	1.53	1.67	2.50
Treasury-10 Year Notes (yield)	1.97	2.16	2.22	2.19	1.91	2.10	2.30	2.47	2.65	2.80	2.95	3.20	2.54	2.14	2.20	2.90
Treasury-30 Year Notes (yield)	2.55	2.88	2.96	2.96	2.72	2.81	2.92	3.11	3.30	3.40	3.55	3.75	3.34	2.84	2.89	3.50
Prime Rate	3.25	3.25	3.25	3.29	3.50	3.58	3.75	3.83	4.08	4.25	4.50	4.83	3.25	3.26	3.67	4.42
Libor 3-Mo. U.S. Dollar	0.30	0.30	0.33	0.43	0.67	0.67	0.85	0.93	1.18	1.35	1.60	1.91	0.25	0.34	0.77	1.51
Mortgage-30 Year (yield)	3.72	3.82	3.95	3.90	3.74	3.92	4.10	4.27	4.45	4.55	4.70	4.90	4.17	3.85	4.01	4.65
BAA Corporate (yield)	4.50	4.83	5.24	5.42	5.30	5.46	5.63	5.86	6.13	6.29	6.43	6.68	4.85	5.00	5.57	6.38

Source: Bank of the West Economics, Bloomberg, Federal Reserve